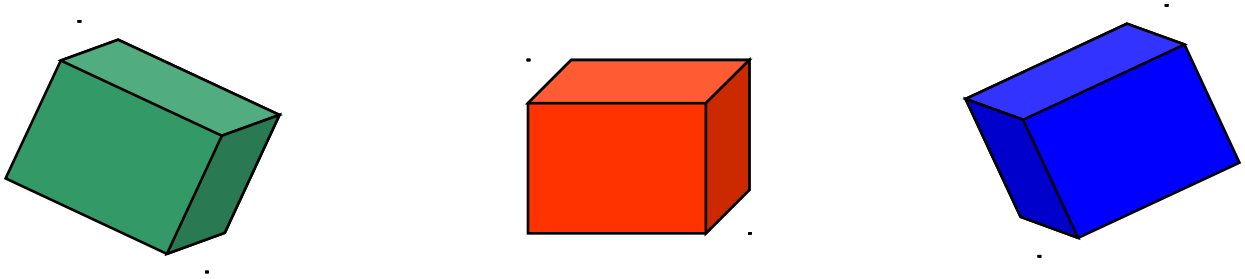
BUDGET STRUCTURE

and

“COLORS OF MONEY”

THE “BUILDING BLOCKS” OF OUR BUDGET

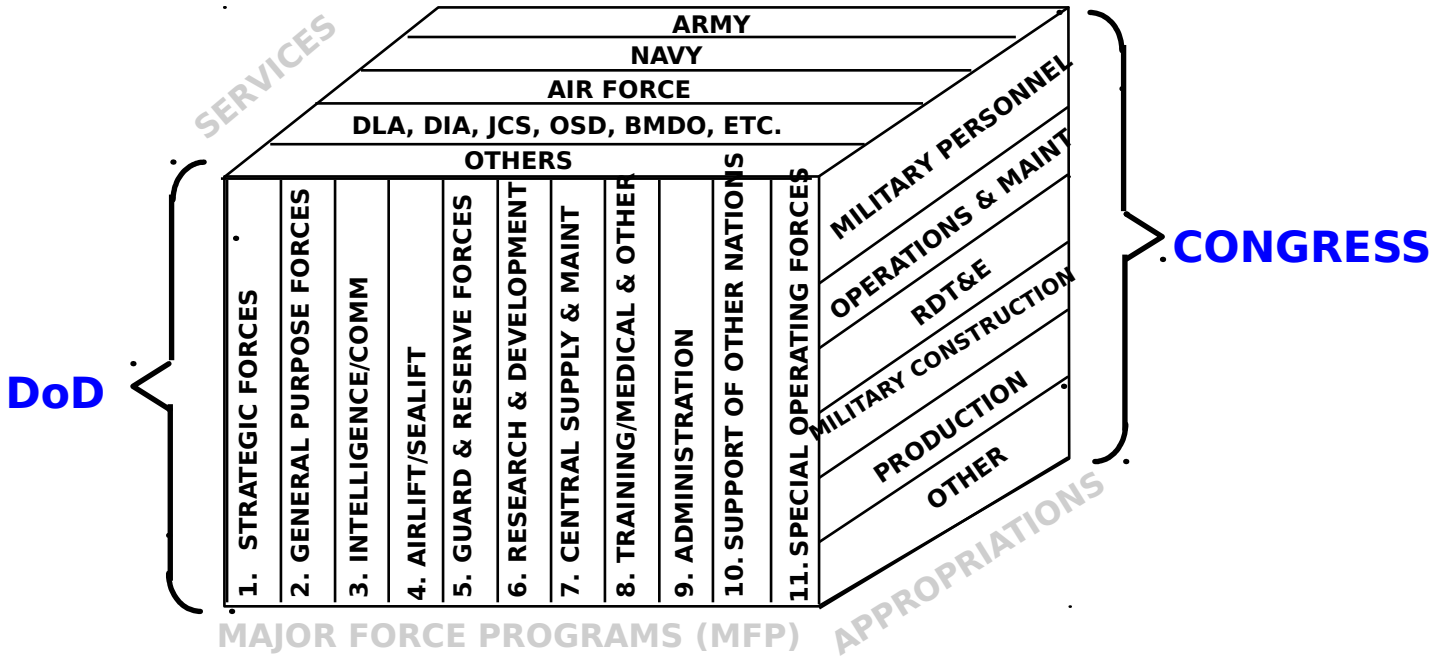


Mr. Roy Sakamoto
Chief, Program Control Division
Launch Programs

OVERVIEW

- **FUTURE YEARS DEFENSE PROGRAM**
- **MAJOR FORCE PROGRAMS**
- **PROGRAM ELEMENTS**
- **APPROPRIATIONS – THE COLORS OF MONEY**
- **FUNDING PRINCIPLES**
- **AVAILABILITY OF FUNDS**
- **FUNDING PROPRIETY**
- **HOW MONEY GETS HERE AND WHAT IT LOOKS LIKE**

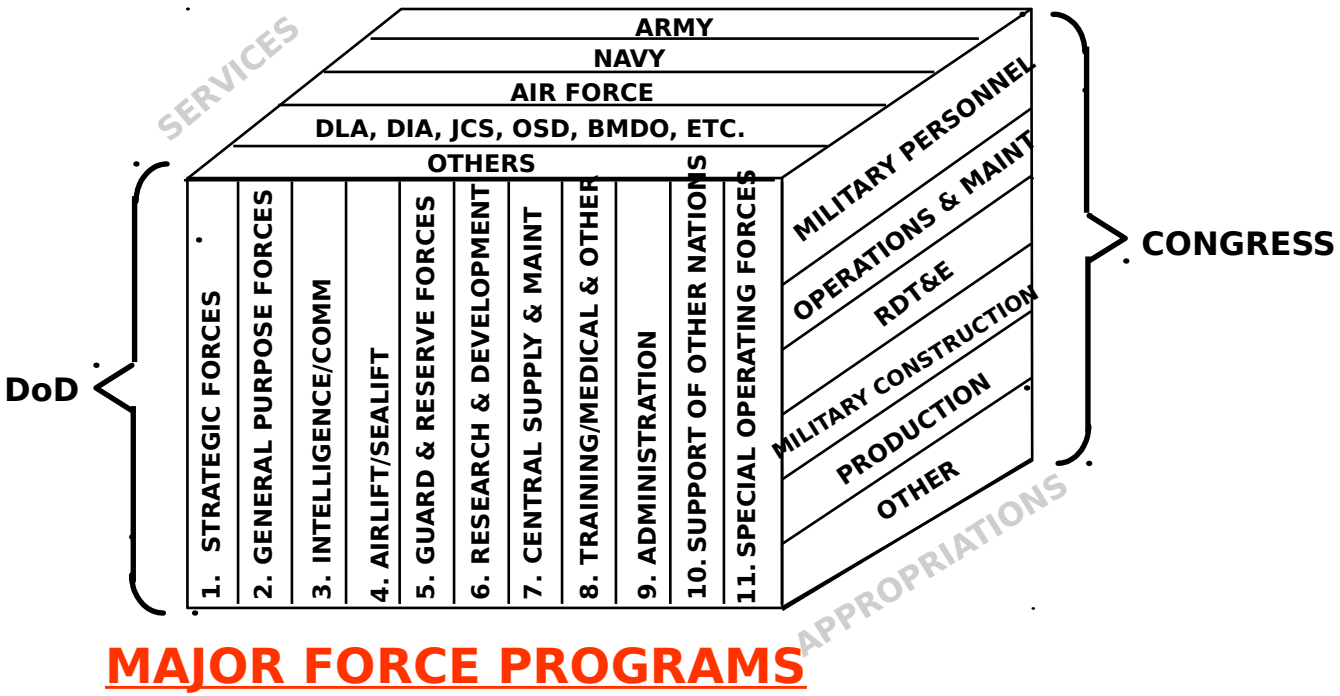
FUTURE YEARS DEFENSE PROGRAM (FYDP)



FYDP INTEGRATES DOLLARS, MANPOWER AND FORCES FOR DoD, SERVICE AND CONGRESSIONAL ANALYSIS

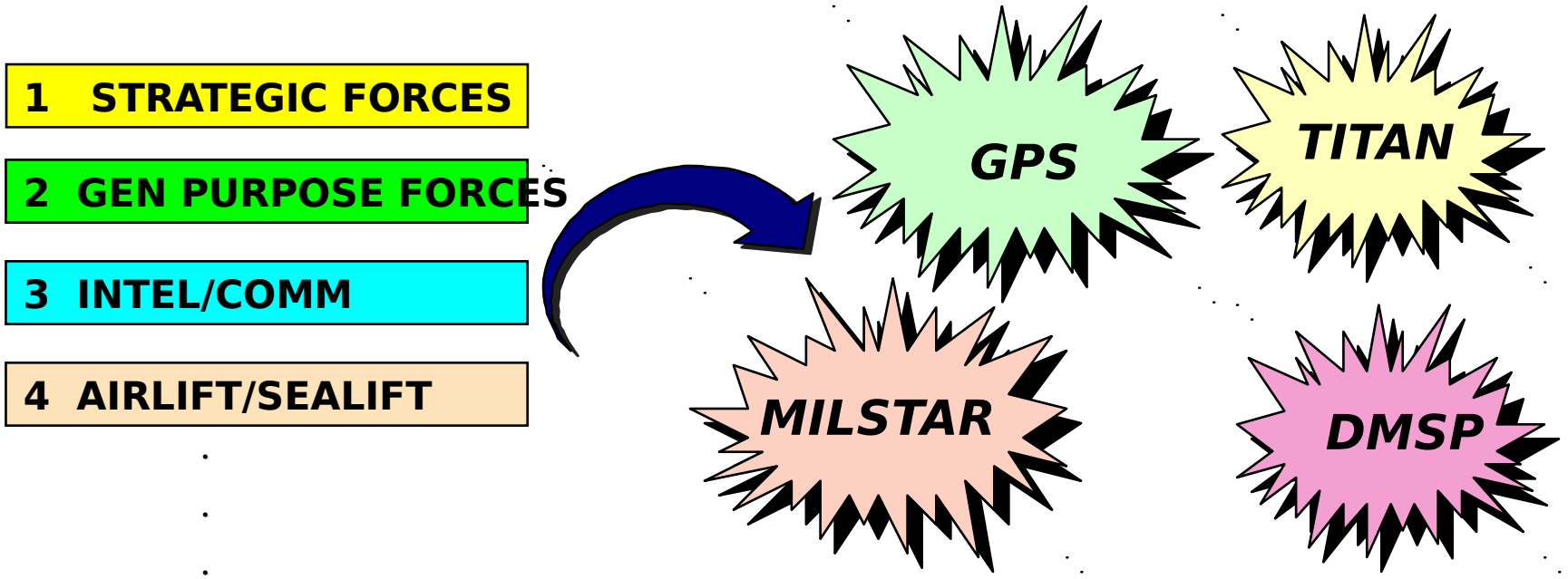
- OFFICIAL DATABASE WHICH REFLECTS SECDEF's APPROVED PROGRAMS
  - UPDATED 3 TIMES DURING PPBE PROCESS
- INCLUDES ALL RESOURCES PROGRAMMED FOR DoD, SORTED BY MFP & APPROPRIATION
- MAINTAINED BY DoD COMPTROLLER

MAJOR FORCE PROGRAMS (MFPs)



- USED FOR INTERNAL DoD REVIEW
- MFPs 1-5 AND 11 ARE COMBAT-FORCE ORIENTED
- MFPs 6-10 ARE SUPPORT ORIENTED AND DEFENSE WIDE
- WITHIN EACH MFP ARE SPECIFIC PROGRAMS THAT SUPPORT THE MISSION OF THE MFP
  - PROGRAMS DESCRIBED IN TERMS OF DOLLARS (BY APPROPRIATION), PEOPLE, AND HARDWARE

PROGRAM ELEMENTS (PEs)



- THE BASIC BUILDING BLOCK OF THE FYDP--THE “CHECKING ACCOUNT NUMBER”
- DESCRIBES ALL FORCES, ACTIVITIES, AND SUPPORT APPROVED TO ACCOMPLISH THE MISSION
  - INFORMATION SORTED BY APPROPRIATION AND BPAC
  - APPROVED FUNDS FOR 6 YEARS
- UNIQUE PROGRAM ELEMENT FOR EVERY PROGRAM

PROGRAM ELEMENT CODES (PECs)

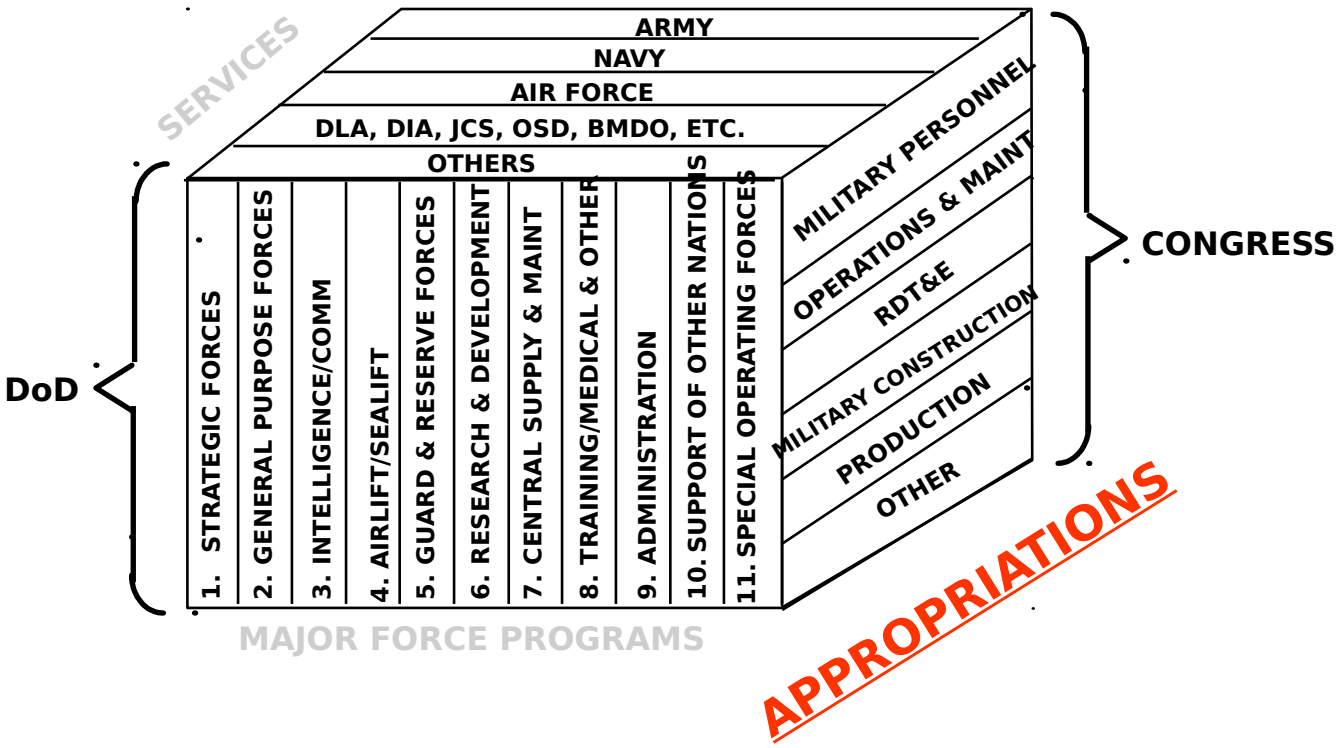
PROGRAM ELEMENT CODE STRUCTURE (R&D)

MFP	06____	→	RESEARCH & DEVELOPMENT (MFP 6)
R&D CATEGORY	__1___		RESEARCH
	__2___		EXPLORATORY DEVELOPMENT
	__3___		ADVANCED DEVELOPMENT
	__4___	→	ENGINEERING DEVELOPMENT
	__5___		MANAGEMENT AND SUPPORT
BUDGET ACTIVITY	__ 0___		R&D SUPPORT, OTHER APPROPRIATIONS
	__ 1___		RESEARCH (MILITARY SCIENCES)
	__ 2___		AIRCRAFT AND RELATED EQUIPMENT
	__ 3___		MISSILES AND RELATED EQUIPMENT
	__ 4___	→	MILITARY ASTRONAUTICS
	__ 5___		SHIPS & SMALL CRAFT
	_ _6___		ORDNANCE & COMBAT VEHICLES
	__ 7___		OTHER EQUIPMENT
	__ 8___		MANAGEMENT & SUPPORT
PROGRAM IDENTIFIER	___XX_		SERIAL / IDENTIFICATION NUMBER
COMPONENT	_____A-V	→	AGENCY OR MAJOR ORGANIZATION
	A		ARMY
	C		BMDO
	F	→	AIR FORCE
	M		MARINES
	N		NAVY

64441F
SBIRS

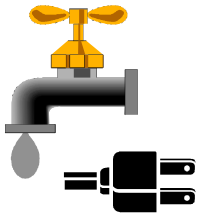
HIGH

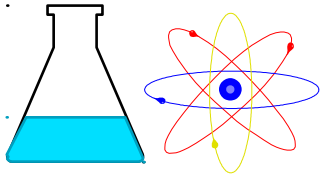
APPROPRIATIONS

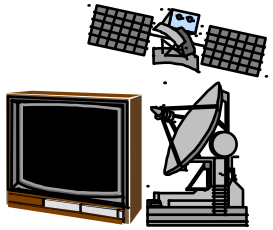


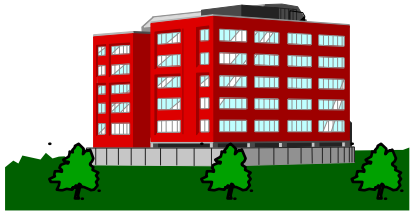
- USED BY CONGRESS TO ASSESS / ANALYZE DoD BUDGET REQUESTS
- A "COLOR" OF MONEY USED FOR A SPECIFIC PURPOSE AND TIME LIMIT
- TWO APPROPRIATION CATEGORIES: **INVESTMENT** AND **OPERATIONS & SUPPORT**
  - DoD HAS NEARLY 100 DIFFERENT APPROPRIATION TYPES!

APPROPRIATIONS
"THE COLORS OF MONEY"









OPERATIONS & MAINTENANCE 3400

MILITARY PERSONNEL 3500

RESEARCH & DEVELOPMENT 3600

PROCUREMENT 3010 3020 3080

MILITARY CONSTRUCTION 3300

OPERATIONS & SUPPORT

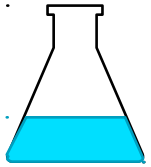
INVESTMENT

F1831/67.PPT

APPROPRIATIONS
"THE COLOR OF MONEY"

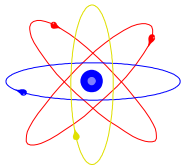
RESEARCH, DEVELOPMENT, TEST & EVALUATION - 3600

F1831.69



FUNDS ALL ACTIVITIES ASSOCIATED WITH RESEARCHING NEW AND DEVELOPING TECHNOLOGIES FOR FUTURE USE IN MILITARY SYSTEMS

- LABORATORIES



FUNDS ALL ACTIVITIES ASSOCIATED WITH DEVELOPING NEW OR MODIFIED MILITARY SYSTEMS FOR IMMEDIATE PRODUCTION AND DEPLOYMENT TO THE FIELD

- SYSTEM PROGRAM OFFICES
- TEST ORGANIZATIONS

FUNDS ALL MISSION SUPPORT COSTS ASSOCIATED WITH R&D ACTIVITIES IN THE ABOVE ORGANIZATIONS.

INCREMENTAL FUNDING POLICY APPLIES

AVAILABLE FOR OBLIGATION FOR 2 YEARS

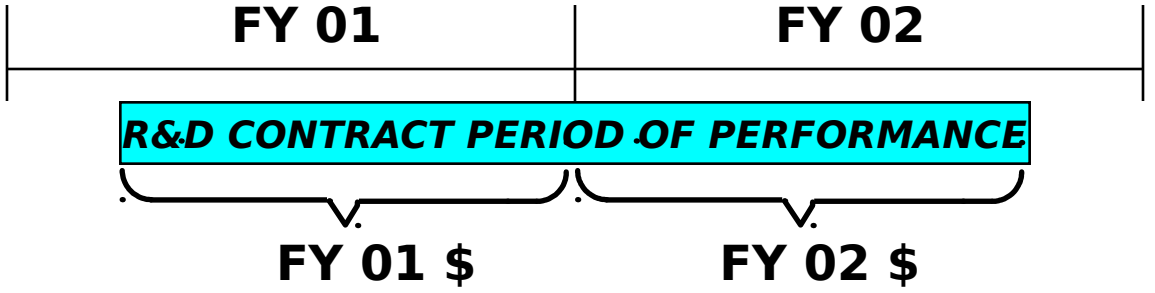
(OBLIGATION = LEGALLY BINDING DOCUMENT FOR GOODS

FUNDING PRINCIPLES

INCREMENTAL FUNDING POLICY

RULE: OBLIGATE ONLY ENOUGH FUNDS TO PAY FOR THE WORK PERFORMED IN THE CURRENT FISCAL YEAR

- CAN EXTEND USE OF FUNDS INTO 1ST QTR OF SECOND FISCAL YEAR
- DIRECTLY ASSOCIATED WITH BONA FIDE NEED



APPROPRIATIONS
"THE COLOR OF MONEY"

PROCUREMENT - 30X0

FUNDS ALL ACTIVITIES ASSOCIATED WITH PRODUCING DEPLOYABLE MILITARY END ITEMS FOR FIELD USE

3010	**3020**	**3080**
AIRCRAFT AND RELATED EQUIP	MISSILES AND RELATED EQUIP	OTHER INVESTMENT EQUIPMENT

FULL FUNDING POLICY APPLIES

AVAILABLE FOR OBLIGATION FOR 3 YEARS

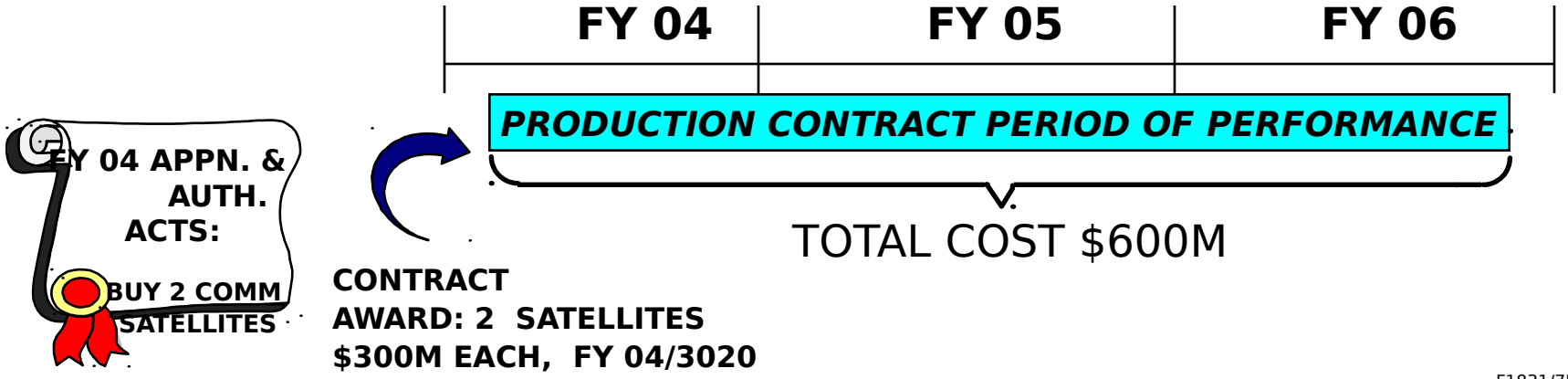
FUNDING PRINCIPLES

FULL FUNDING POLICY

RULE: WHEN PROCURING QUANTITIES OF END-ITEMS, FUNDS WILL BE PROGRAMMED, BUDGETED, AND AWARDED ON THE CONTRACT(S) TO COVER THE ENTIRE COST OF DELIVERING THIS QUANTITY REGARDLESS OF THE PERIOD OF PERFORMANCE

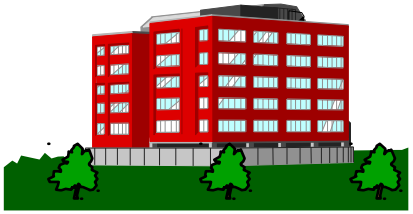
PROCUREMENT ONLY

- QUANTITY MUST BE MILITARILY USABLE END-ITEMS WHEN DELIVERED
- FUNDS MUST BE AVAILABLE TO COVER THE TOTAL COST OF QUANTITIES PROCURED


FY 04
FY 05
FY 06
PRODUCTION CONTRACT PERIOD OF PERFORMANCE
TOTAL COST $600M
FY 04 APPN. & AUTH. ACTS:
BUY 2 COMM SATELLITES
CONTRACT AWARD: 2 SATELLITES $300M EACH, FY 04/3020

APPROPRIATIONS
"THE COLOR OF MONEY"

MILITARY CONSTRUCTION - 3300

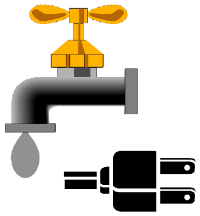


FUNDS ALL ACTIVITIES ASSOCIATED WITH CONSTRUCTING AIR FORCE FACILITIES COSTING MORE THAN $500K

- DESIGN
- ENGINEERING
- CONSTRUCTION
- INSPECTION

AVAILABLE FOR OBLIGATION FOR 5 YEARS

APPROPRIATIONS
"THE COLOR OF MONEY"

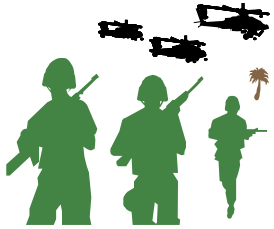


OPERATIONS & MAINTENANCE - 3400

FUNDS DAY-TO-DAY EXPENSES OF OPERATING AND MAINTAINING AIR FORCE BASES, FACILITIES AND ACTIVITIES

- CIVILIAN SALARIES
- SUPPLIES AND LOW-COST EQUIPMENT
- MINOR CONSTRUCTION
- FUEL, MAINTENANCE, UTILITIES

AVAILABLE FOR OBLIGATION FOR 1 YEAR

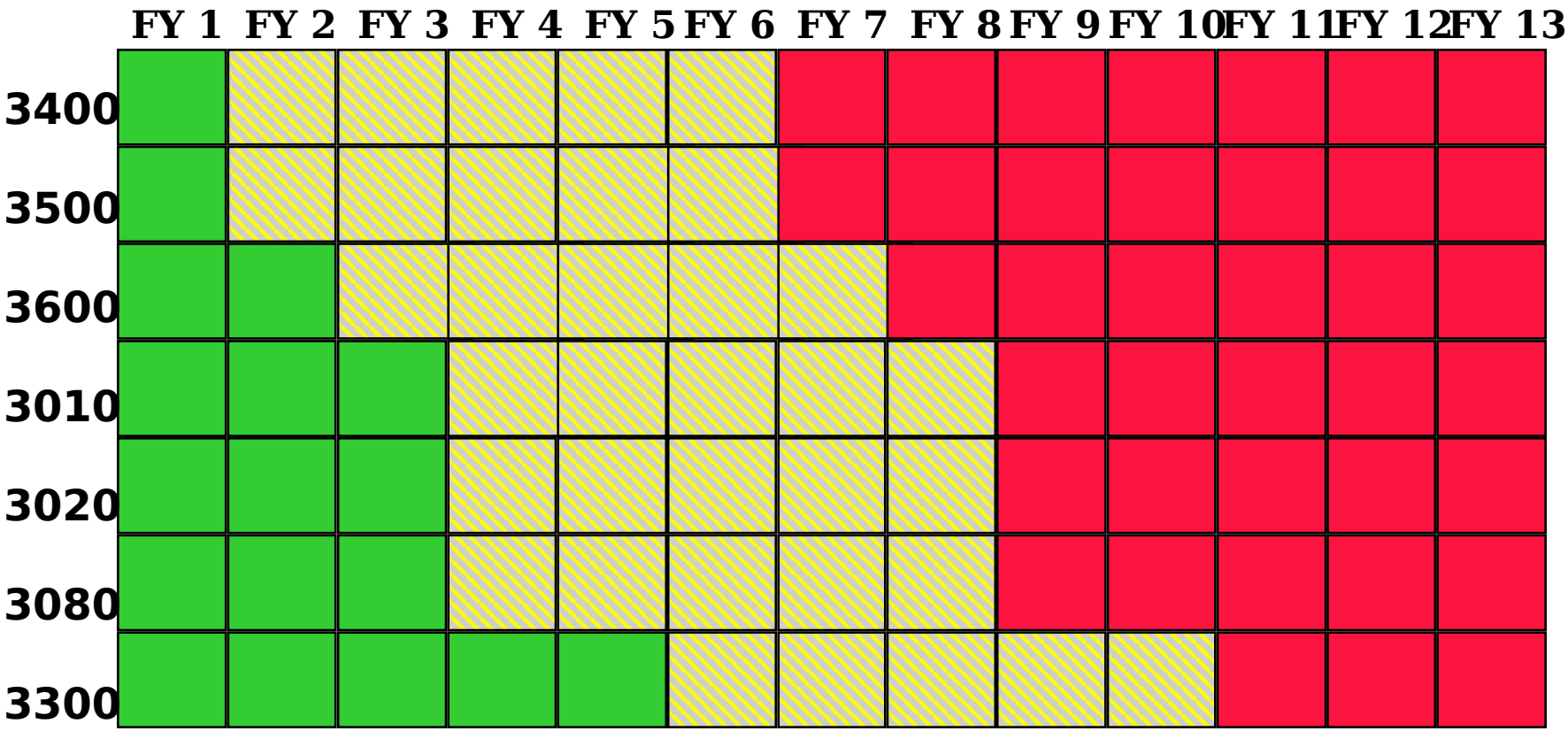


MILITARY PERSONNEL - 3500

FUNDS SALARIES AND BENEFITS, INCLUDING PCS COSTS, OF ALL MILITARY PERSONNEL (CENTRALLY MANAGED ALLOTMENT)

AVAILABLE FOR OBLIGATION FOR 1 YEAR

AVAILABILITY OF FUNDS



ACTIVE YEARS + EXPIRED YEARS = AVAILABILITY OF FUNDS FOR OBLIGATION AND EXPENDITURE

AVAILABILITY OF FUNDS

ACTIVE YEARS	EXPIRED YEARS
USES: – ANY REGULAR OBLIGATION OF FUNDS – NEW WORK, IN-SCOPE ADJUSTMENTS OR SETTLEMENTS – AVAILABLE FOR EXPENDITURE	**USES:** – SETTLEMENTS OF PREVIOUS OBLIGATIONS – ADJUSTMENTS TO IN-SCOPE EFFORTS – AVAILABLE FOR EXPENDITURE
CONSTRAINTS: – PROPER USE OF FUNDS – FULL / INCREMENTAL FUNDING – PURPOSE / AMOUNT – BONA FIDE NEED	**CONSTRAINTS:** – PROPER USE OF FUNDS – NO NEW WORK – NO INCREASE IN SCOPE OR QUANTITY

AVAILABILITY OF FUNDS

- AFTER 5TH YEAR OF EXPIRED PHASE, FUNDS ARE CANCELLED

- FUNDS NO LONGER AVAILABLE FOR SETTLEMENTS OR ADJUSTMENTS (OBLIGATIONS)
  - FUNDS NO LONGER AVAILABLE FOR EXPENDITURES
  - UNLIQUIDATED FUNDS RETURNED TO TREASURY DEPARTMENT
  - UNPAID BILLS EXPENDED FROM **CURRENT YEAR FUNDS**
    - **EXCEPTION FOR SATELLITE ORBITAL INCENTIVES**

FUNDING PROPRIETY

POWER OF THE PURSE GIVEN TO CONGRESS BY THE CONSTITUTION: ***"NO MONEY SHALL BE DRAWN FROM THE TREASURY, BUT IN CONSEQUENCE OF APPROPRIATIONS MADE BY LAW…"***

RULE:

-ALL EFFORTS MUST BE PAID FROM CORRECT FUNDING SOURCES

-- PROGRAM ELEMENT

-- APPROPRIATION

-- FISCAL YEAR

FUNDING PROPRIETY

POTENTIAL VIOLATIONS: MAY VIOLATE ANTI-DEFICIENCY ACT (ADA) - PURPOSE

-- FUNDS MUST BE USED FOR PURPOSES INTENDED
-- TITLE 31 U.S.C., SECTION 1301(a)

- TIME

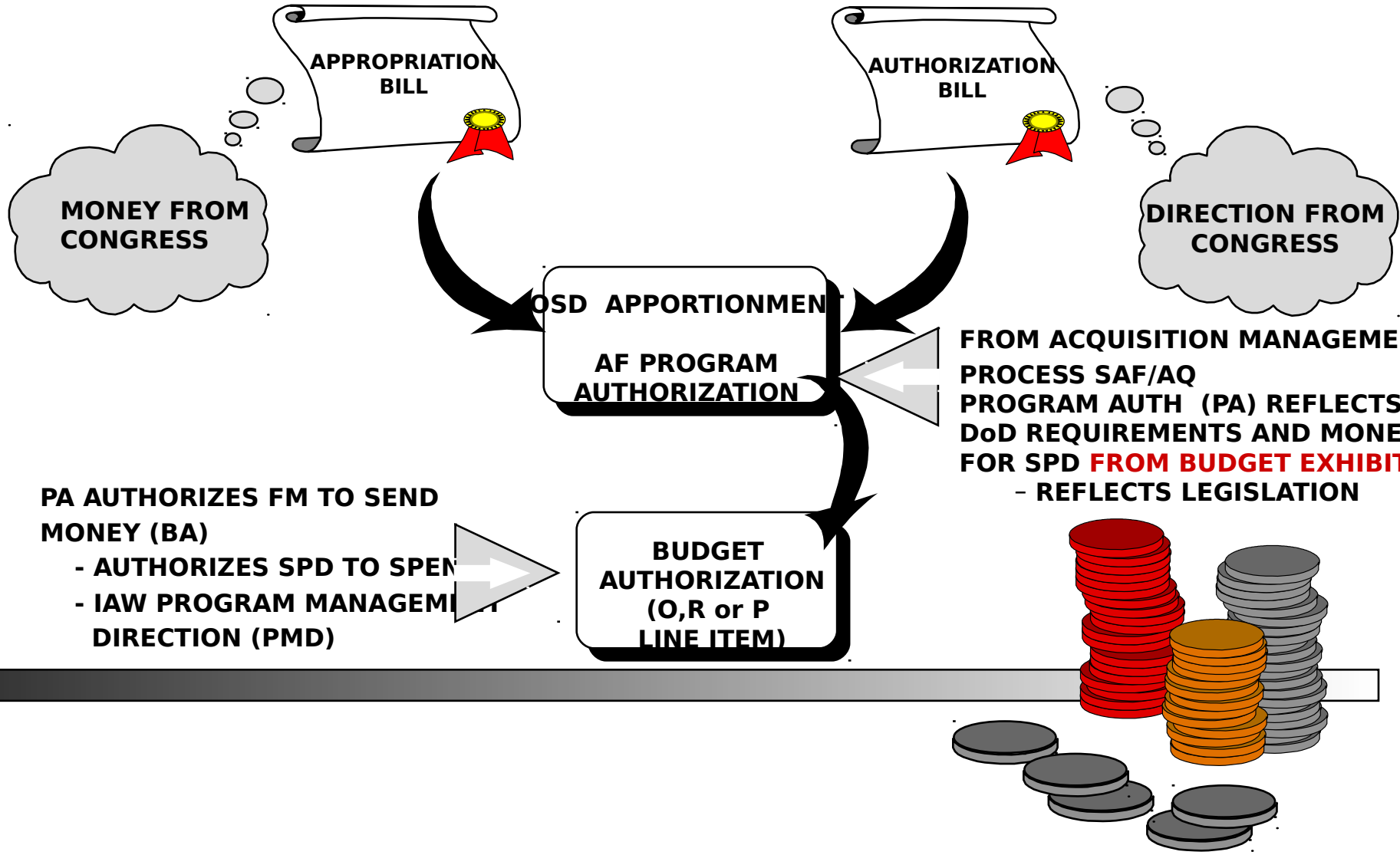
-- FUNDS MUST BE OBLIGATED ONLY FOR BONA FIDE NEEDS OF THE FISCAL YEAR FOR WHICH THEY WERE APPROPRIATED **(BONA FIDE NEED RULE)**

-- TITLE 31 U.S.C., SECTION 1502(a)

- AMOUNT

-- OBLIGATIONS CANNOT EXCEED BUDGET AUTHORITY
-- TITLE 31 U.S.C., SECTION 1341(a)

BUDGET EXECUTION PROCESS



FUNDS FLOW

Congress Appropriates

OMB Apportions

OSD Transmits Apportionment

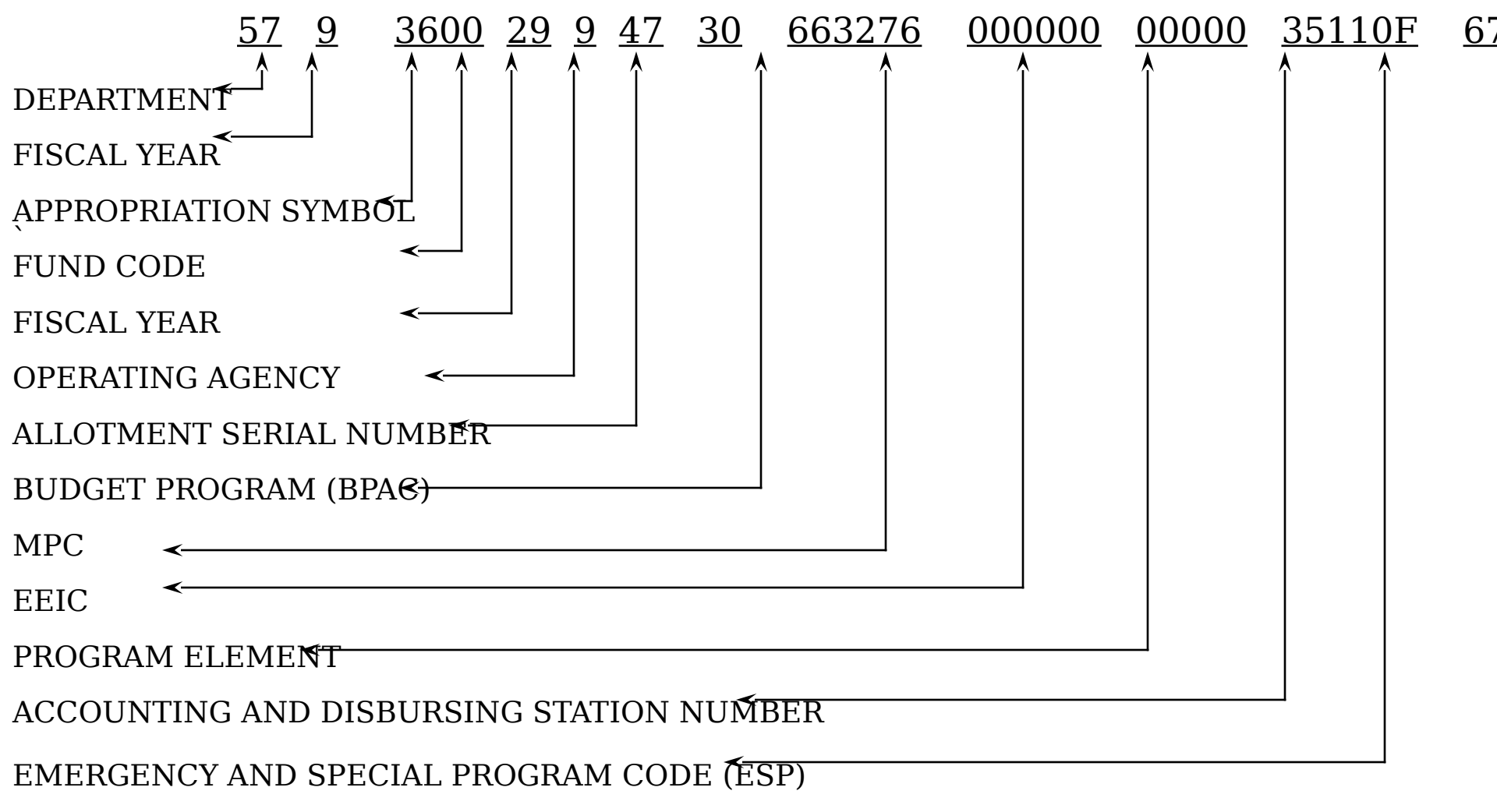
SAF/FMB Allocates (PA & BA)

MAJCOMS Allot (BA)

SPO (Sub-Allot)

ACCOUNTING CLASSIFICATION

5793600 299 4730 663276 000000 00000 35110F 67

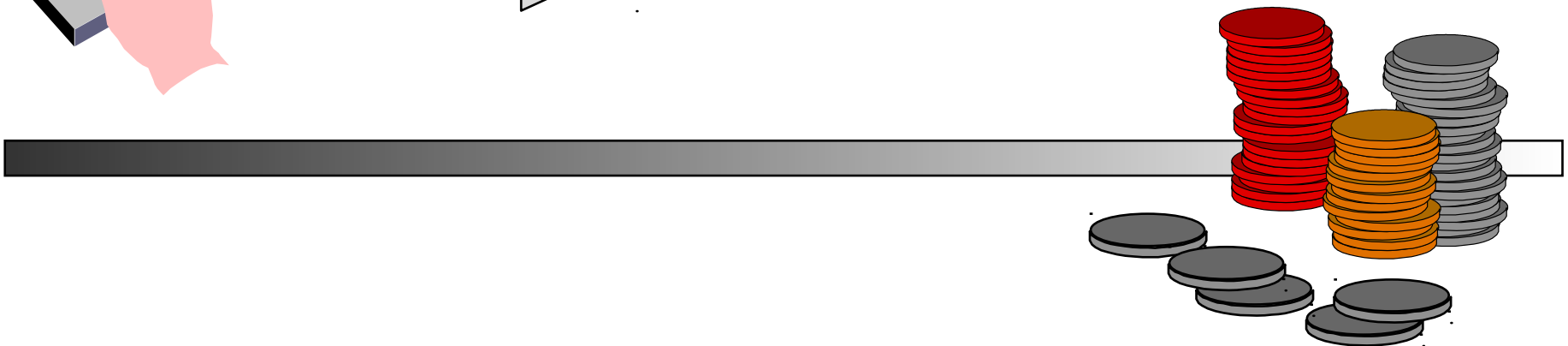


THE ACCOUNTING CYCLE

COMMITMENT
- **ADMINISTRATIVE RESERVATION OF FUNDS**

OBLIGATION
- **OFFICIAL RESERVATION OF FUNDS: MUST N MIX FUNDS ON CLINs BY FISCAL YEAR , TYP OR SOURCE**

EXPENDITURE
- **LIQUIDATION OF AN OBLIGATION**



SUMMARY

- **FUTURE YEARS DEFENSE PROGRAM**
  - SECDEF'S APPROVED PROGRAMS
- **MAJOR FORCE PROGRAMS**
  - MAJOR MISSION AREAS
- **PROGRAM ELEMENTS**
    - BASIC FYDP BUILDING BLOCKS
- **APPROPRIATIONS / FUNDING PRINCIPLES**
  - COLOR OF MONEY MAKES A DIFFERENCE!
- **AVAILABILITY OF FUNDS: TIME IS MONEY!**
- **FUNDING PROPRIETY: IT'S THE LAW!**
- **GETTING IT AND WHAT IT LOOKS LIKE ON CONTRACT**

BACK UP SLIDES

ACCOUNTING CLASSIFICATION

- **DEPARTMENT**
  - Department of the Treasury Government Agency identifier code
- **FISCAL YEAR (FY)**
  - Appropriation Year
- **APPROPRIATION SYMBOL**
  - Fund authorization established by Congress for a designated purpose
- **FUND CODE**
  - Numerical code which identifies the Appropriation type

ACCOUNTING CLASSIFICATION

- **FISCAL YEAR**
  - Appropriation Year
- **OPERATING AGENCY CODE (OAC)**
  - A major organizational unit
- **ALLOTMENT SERIAL NUMBER (ASN)**
  - Organization given financial management responsibility synonymous with the Operating Budget Account Number (OBAN)
- **BUDGET PROGRAM ACTIVITY CODE (BPAC)**
  - Identified major budget programs. Found on procurement and RDT&E appropriation fund cites only

ACCOUNTING CLASSIFICATION

- **RESPONSIBILITY CENTER/COST CENTER CODE (RC/CC)**
  - Identifies a specific base organization. This is used for support requirements or for laboratory fund citations.
  - **MATERIAL PROGRAM CODE (MPC)**
  - For procurement appropriations, used to identify the major elements of weapon systems
- **ELEMENT OF EXPENSE INVESTMENT CODE (EEIC)**
  - Identifies nature of services and resources. Used only when support services or items are procured

ACCOUNTING CLASSIFICATION

- **MAJOR FORCE PROGRAM (MFP)**
  - The broadest and most basic structural element of the FYDP. MFPs represent a grouping a specific, related missions
- **PROGRAM ELEMENT (PE)**
  - A subdivision of a MFP representing a specific military capability or support activity; basic building block of the FYDP
- **ACCOUNTING AND DISBURSING STATION NUMBER (ADSN)**
  - Identifies the accounting and finance office responsible for the funds

ACCOUNTING CLASSIFICATION

- **DEPARTMENT OF DEFENSE ACTIVITY ADDRESS DIRECTORY CODE (DODAAD)**
  - Address where materiel, documentation or billing is sent

ACCOUNTING CLASSIFICATION CODES

FUND CODE	APPN	DESCRIPTION
11	3010	AIRCRAFT PROCUREMENT
15	3020	MISSILE PROCUREMENT
17	3080	OTHER PROCUREMENT
25	3300	MILITARY CONSTRUCTION
29	3600	RDT&E
30	3400	OPERATIONS & MAINTENANCE
32	3500	MILITARY PERSONNEL
89	7040	MFH CONSTRUCTION
83	7045	MFH OPERATION